

**The Honorable Louise M. Slaughter**  
**Written Testimony before the**  
**U.S.-China Economic & Security Review Commission**

*"The Impact of Globalization and Trade with China on New York State Companies and Communities"*

July 23, 2009

I would like to thank the Commission for holding this important hearing and for allowing me the opportunity to submit this written testimony. Unfortunately our busy legislative schedule in Washington has prevented me from being able to attend in person.

Trade liberalization with our current "free trade" model has a great concern of mine for many years. Here in Rochester we are acutely aware of the devastating effects that free trade agreements have had on our economy. Our once dominant manufacturing base has been reduced to a shell of its former self. Even some of the biggest proponents of trade liberalization in the '90's now admit that this free trade model has failed. Robert Cassidy, Assistant U.S. Trade Representative for Asia and for China for the Clinton administration and the principle negotiator during China's accession to the World Trade Organization, stated just a year ago that "I have reflected on whether the agreements we negotiated really lived up to our expectations. A sober reflection has led me to conclude that those trade agreements did not."

I will allow local business leaders and others to give their accounts of how this trade liberalization with China has affected the local economy. I would like to discuss a few particular problem areas in our current trade relationship with China.

I am not opposed to trade in general, but I believe that it needs to be fair. The current model of a "free trade" agreement is broken, and I hope that this administration can develop a new sensible trade policy that levels the playing field for American businesses and American workers. This new trade framework must also enforce fair labor practices with our trading partners and strong environmental standards.

However, beyond reforming our overall trade policy, fixing our trade relationship with China requires overcoming unique challenges. We need to strengthen our enforcement measures to ensure that any predatory trade practices by China are not allowed to victimize U.S. companies. We also need to address currency manipulation by the Chinese government. And finally we

need to strengthen our product safety standards to ensure that imported goods from China do not fall short of our health and safety standards.

Stepping up our trade enforcement efforts is the most effective way that we can immediately improve our trade policy. For too long our government has failed to act or acted too slowly to protect U.S. companies from predatory trade practices. And too often, the offending party is China.

In the early part of this decade, the Buffalo Color Corporation in my district won an anti-dumping suit against Chinese indigo manufacturers. Time and again, I demanded that the Departments of Homeland Security and Commerce crack down on Chinese firms that dumped indigo in our market. These calls for action fell on deaf ears. This company – the only domestic producer of indigo dye left in America – was victimized by not only the gross dumping activities by their Chinese competitors but by apparent indifference of the federal government. Because of this indifference by our own government, and the continued dumping by Chinese companies into our market, the company was forced to go out of business. The demise of Buffalo Color was a preventable American tragedy. Had the Bush Administration fulfilled its responsibility to enforce our trade laws, Buffalo Color would still be making indigo today.

Our government has a responsibility to enforce the trade laws that we have agreed to and ensure that American companies can compete on a level playing field. Strong enforcement measures will go a long way towards preventing more American companies from closing their doors as a result of predatory trade practices.

Currency manipulation or misalignment is another barrier to a fair trading relationship with China. Countries can illegally misalign their currency by preventing market forces from determining its value. This allows them to artificially drive the price of their exports down and the price of imports up. This puts U.S. companies at an unfair disadvantage not only in our own U.S. market, but also in that of our trading partner.

For example, China has had a trade surplus of over a \$1 trillion since 2001. In a free and fair market, this surplus would cause the value of the Yuan to rise as compared to the U.S. dollar to correct the imbalance. However, China undervalues its exports by 30 percent or more, providing an illegal subsidy for their exports. This creates an unfair trade imbalance that threatens U.S. companies and jobs, and our government must take strong action against this type of predatory trade practice.

Finally, we must take great steps to ensure that the products that we import from China are safe. In 2007 there was a widely publicized case where 24 different types of children's toys that were manufactured in China were recalled. These toys were coated in lead paint. At the time, it was the 467<sup>th</sup> recall of a Chinese product that year. Chinese products also made up 60 percent of all products recalled in the U.S. To fall below health standards this frequently is completely unacceptable, especially when they are recalling products that are intended for children's use. We simply cannot sacrifice the safety of our products for the sake of saving a little bit of money on costs.

Thank you for allowing me to submit my testimony for this very important hearing. As they continue to grow, China's role in the world economy cannot be ignored. But forums like this can help lay the groundwork for a positive U.S.-China relationship in the world economy.